

# **CITY OF HAYWARD**

## **AGENDA REPORT**

AGENDA DATE 10/04/05

AGENDA ITEM 4

WORK SESSION ITEM           

**TO:** Mayor and City Council

**FROM:** Director of Community and Economic Development

**SUBJECT:** Public TEFRA Hearing, Inducement and Authorization to Issue Bonds for the Purchase of the Las Casitas Apartments at 26409 Gading Road

### **RECOMMENDATION:**

It is recommended that the City Council:

- Adopt the attached resolution authorizing the issuance of \$6,325,000 in tax-exempt multifamily housing revenue bonds to assist in the purchase of the Las Casitas Apartments;
- Authorize the City Manager to execute all other implementing documents in connection with the proposed issuance.

### **DISCUSSION:**

Citizens Housing, Inc. (Citizens) proposes to purchase the existing 61 unit Las Casitas Apartments through its subsidiary, Stevenson Housing Corporation, in order to continue and improve the existing affordability, and with the intention in the future of making a substantial investment to upgrade the development. The purchase will be financed by the proceeds of sale of the 501(c)(3) bonds and a subordinate loan from the Northern California Community Loan Fund (NCCLF). Citizens has requested that the City of Hayward issue these bonds.

Las Casitas, at 26409 Gading Road (near Glassbrook Elementary School), is on a 3.45 acre site and includes 61 townhouse family apartments within 9 buildings. There are 2.03 parking spaces per unit. The unit mix includes 19 two-bedroom, 34 three-bedroom, and 8 four-bedroom two story units. The wood frame buildings were constructed in 1974, with each unit currently separately metered for both gas and electric. There is also a common building with a large meeting room and 8 washers and 8 dryers for use by tenants.

The property currently is under a use agreement with HUD that restricts rents and residents' incomes to 80 percent Area Median Income (AMI) levels until 2023. Under current requirements for 501(c)(3) bonds, 40 percent of these rent restricted units would have rents and income qualifications reduced to 60 percent of AMI, thereby making 24 of the units affordable to households of very low income. All of the current residents are qualified lower income households and there will be no displacement as a result of this transaction.


Citizens Housing Corporation is a nonprofit housing developer based in San Francisco that currently owns close to one thousand housing units, primarily in the Bay Area. Some local projects include Las Palmas Apartments (92 family units) and Surf Apartments (46 family units) in San Leandro; Sereno Village Apartments (125 family units) in Vallejo; SOMA Family Apartments (74 family and SRO units) and O'Farrell Towers (101 senior units) in San Francisco. These properties are managed by their affiliate CHC Property Management Corporation, which will eventually be the management entity for Las Casitas. They also have an affiliate called "Power Up!" which coordinates services and activities at their projects. Citizens sees Las Casitas as an opportunity to preserve low-income large family units for Hayward families.

The bonds will be privately purchased by Union Bank and the proceeds used to acquire the complex. The acquisition by Citizens allows a nonprofit to purchase the property now and eventually upgrade the property through a refinancing using tax credits that will allow a tax-credit investor, through a substantial contribution of equity, to become part of the ownership entity. The bonds will have a floating interest rate and a cap, with interest-only payments for the first five years. The bonds will have a term of 30 years, with a mandatory call on the bonds in five years. The remainder of the financing will be provided by an equity contribution of \$238,000 from Citizens and a subordinate loan of \$825,000 from NCCLF, with a five-year term and a fixed rate of interest. Interest only payments are required. At the end of the five years, the project will repay the loan or NCCLF will refinance the outstanding balance of the loan. Neither loan imposes any prepayment penalty at any time. Both loans will be secured by a deed of trust against the property. The bonds will not be an obligation of the City and the City will not be required to make payments on the bonds under any circumstances.


The attached resolution satisfies the requirement for a bond inducement resolution that allows reimbursement of expenditures on the project prior to execution and delivery of the bonds, approves the issuance of bonds, and authorizes the City Manager to execute the associated documents, which are on file in the office of the City Clerk. Since minor document changes often occur until the day of closing, it authorizes the City Manager to review any proposed changes, negotiate with the various parties as necessary, and approve any needed changes to facilitate the closing. The resolution also names the law firm of Jones Hall as bond counsel and CSG Advisors as financial advisor to the City in connection with the issuance of the bonds. The anticipated closing and bond issuance date is October 13, 2005.

Staff believes that this plan allows this property to become owned by a nonprofit committed to long-term affordability, to improve the affordability of the project with no tenant displacement, and to create a future opportunity for a substantial renovation of these 61 existing family units and recommends the proposed actions for approval by Council.

Recommended by:

  
\_\_\_\_\_  
Sylvia Ehrenthal, Director of Community  
and Economic Development

Approved by:

  
\_\_\_\_\_  
Jesús Armas, City Manager

Resolution

**DRAFT**

HAYWARD CITY COUNCIL

RESOLUTION NO. \_\_\_\_\_

Introduced by Council Member \_\_\_\_\_

RESOLUTION OF THE CITY OF HAYWARD AUTHORIZING THE ISSUANCE, SALE AND DELIVERY OF CITY OF HAYWARD MULTIFAMILY HOUSING REVENUE BONDS (LAS CASITAS OF HAYWARD) 2005 SERIES A, AUTHORIZING THE EXECUTION AND DELIVERY OF A MASTER PLEDGE AND ASSIGNMENT, A MASTER AGENCY AGREEMENT AND A REGULATORY AGREEMENT, AND AUTHORIZING THE EXECUTION AND DELIVERY OF AND APPROVING OTHER RELATED DOCUMENTS AND APPROVING OTHER RELATED ACTION IN CONNECTION THEREWITH

WHEREAS, Chapter 8 of Part 5 of Division 31 of the Health and Safety Code of the State of California ( the "Act"), authorizes cities to incur indebtedness for the purpose of financing of the acquisition, construction, rehabilitation and development of multifamily rental housing facilities to be occupied in part by persons of low and very low income; and

WHEREAS, the City of Hayward (the "City") hereby finds and declares that it is necessary, essential and public purpose for the City of engage in a program (the "Program") of financing the acquisition of multifamily rental housing facilities, and has determined to borrow money for such purpose by the issuance of revenue bonds as authorized by the Act; and

WHEREAS, the City hereby finds and declares that this resolution is being adopted pursuant to the powers granted by the Act; and

WHEREAS, Stevenson Housing Corporation, a California nonprofit public benefit corporation (the "Borrower"), has requested that the City issue and sell the Bonds (hereafter defined) for the purpose of financing the acquisition of a multifamily rental housing project commonly known as Las Casitas of Hayward, located at 26049 Gading Road, Hayward, California (the "Project"); and

WHEREAS, all conditions, things and acts required to exist, to have happened and to have been performed precedent to and in the issuance of the Bonds and the implementation of the Program as contemplated by this resolution and the documents referred to herein exists, have happened and have been performed in due time, form and manner as required by the laws of the State of California, including the Act.

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of Hayward, as follows:

Section 1. The City hereby finds and declares that the above recitals are true and correct.

Section 2. Pursuant to the Act and the Indenture (hereinafter defined), revenue bonds of the City, designated as "City of Hayward Multifamily Housing Revenue Bonds (Las Casitas of Hayward) 2005 Series A" in an aggregate principal amount not to exceed \$6,325,000 (the "Bonds"), are hereby authorized to be issued. The Bonds shall be executed by the manual or facsimile signature of the City Manager of the City (the "Authorized Officer"), and attested by the manual or facsimile signature of the City Clerk of the City, in the form set forth in and otherwise in accordance with the Pledge and Assignment (as hereinafter defined).

Section 3. The Master Pledge and Assignment by and between the City, Union Bank of California, N.A., as agent (the "Agent"), to Union Bank of California, N.A., as holder (the "Holder") (the "Pledge and Assignment"), in the form on file with the City Clerk of the City, is hereby approved. The Authorized Officer, is hereby authorized for and on behalf of the City to execute and deliver the Pledge and Assignment with such changes, additions or deletions as may be approved by such Authorized Officer, with the advise of bond counsel to the City, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 4. The Master Agency Agreement by and between the City and the Agency ("Agency Agreement"), in the form on file with the City Clerk of the City, is hereby approved. The Authorized Officer, is hereby authorized for and on behalf of the City to execute and deliver the Agency Agreement with such changes, additions or deletions as may be approved by such Authorized Officer, with the advise of bond counsel to the City, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 5. The Regulatory Agreement and Declaration of Restrictive Covenants by and between the City and the Borrower ("Regulatory Agreement"), in the form on file with the City Clerk of the City, is hereby approved. The Authorized Officer, is hereby authorized for and on behalf of the City to execute and deliver the Regulatory Agreement with such changes, additions or deletions as may be approved by such Authorized Officer, with the advice of bond counsel to the City, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 6. The Bonds shall be delivered to Union Bank of California, N.A., a initial holder thereof, upon payment of the purchase price therefor.

Section 7. The City hereby declares that it reasonably expects that a portion of the proceeds of the Bonds will be used for reimbursement of expenditures of the acquisition of the Project that paid before the date of initial execution and delivery of the Bonds.

Section 8. The maximum amount of proceeds of the Bonds to be used for reimbursement of expenditures for the acquisition of the Project that are paid before the date of initial execution and delivery of the Bonds is not to exceed \$6,325,000.

Section 9. The foregoing declaration is consistent with the budgetary and financial circumstances of the City in that there are no funds (other than proceeds of the Bonds) that are reasonably expected to be (i) reserved, (ii) allocated or (iii) otherwise set aside, on a long-term basis, by or on behalf of the City, or any public entity controlled by the City, for the expenditures for the acquisition of the Project that are expected to be reimbursed from the proceeds of the bonds.

Section 10. The law firm of Jones, Hall, A Professional Law Corporation, is hereby named as bond counsel to the City in connection with the issuance of the Obligations. The financial advisory firm of CSG Advisors, Inc. is hereby named as financial advisor to the City in connection with the issuance of the Obligations. The fees and expenses of bond counsel and the financial advisor are to be paid solely from the proceeds of the Obligations or directly by the Borrower.

Section 11. All actions heretofore taken by the officers and agents of the City with respect to the establishment of the Program and the sale and issuance of the Bonds are hereby approved, confirmed and ratified, and the proper officer of the City, including the Authorized Officer, is hereby authorized and directed, for and in the name and on behalf of the City, to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements and other documents which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the Bonds in accordance with this resolution and resolutions heretofore adopted by the City and in order to carry out the Program, including but not limited to those certificates, agreements, deeds of trust and other documents described in the Pledge and Assignment, the Agency Agreement, the Regulatory Agreement and the other documents herein approved and any certificates, agreements or documents as may be necessary to further the purpose hereof, evidence credit support or additional security for the Bonds, but which shall not create any obligation or liability of the City other than with respect to the revenues and assets derived from the proceeds of the Bonds.

IN COUNCIL, HAYWARD, CALIFORNIA \_\_\_\_\_, 2005

ADOPTED BY THE FOLLOWING VOTE:

AYES: CITY COUNCIL:  
MAYOR:

NOES: CITY COUNCIL:

ABSTAIN: CITY COUNCIL:

ABSENT: CITY COUNCIL:

ATTEST: \_\_\_\_\_  
City Clerk of the City of Hayward

APPROVED AS TO FORM:

\_\_\_\_\_  
City Attorney of the City of Hayward